

June 11, 2002

To: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne Brathwaite Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: David E. Janssen  
Chief Administrative Officer

**FINAL REPORT ON ACTIONS 2, 4 AND 5 - ITEM NO. 28, AGENDA OF MARCH 27, 2001 - LOS ANGELES COUNTY SUPERIOR COURT COLLECTION SERVICES**

This is to provide you with a final report regarding the March 27, 2001 Board motion which instructed my office to determine, in conjunction with the Auditor-Controller (A-C), if the costs of GC Services Limited Partnership (GC Services) are reimbursable under Penal Code Section 1463.007 (Action 2), to provide an analysis of the feasibility of utilizing County employees for Court-related collections (Action 4), and to assist the Superior Court of California, Los Angeles County (Court) in developing a Court Collection Services Request For Proposal (RFP) (Action 5).

**ACTION 2 - COST RECOVERY UNDER PENAL CODE 1463.007 (CODE)**

On June 22, 2001, our office and the A-C issued a joint status report to your Board (Attachment 1) indicating that GC Services' collection procedures are in compliance with Penal Code 1463.007 and that they could satisfy the reporting requirements of the State Controller. Currently, the County pays the entirety of commission costs for collections on delinquent fines, but the revenues generated by these collections are shared by the County, cities, and the State. If the Cost Recovery program is fully implemented, the Code would allow the County to pass onto the cities and the State their proportional share of the collection costs on qualifying delinquent fines (base of more than \$100), thereby resulting in an estimated annual increase of \$1.9 million in revenue for the County.

In that regard, our offices have been working with the Court and GC Services on cost recovery from the appropriate governmental agencies, which included local cities. We have learned that due to limited Court Information Technology (IT) staff and resources, Court-wide implementation of the Cost Recovery program has been delayed until the Court's new Financial Interface System (FIS) is on-line and fully operational. Court's IT staff indicated that this process could take another year to complete. As a result of this IT delay, our offices have been working with the Court to develop an alternative program so that the County may recover a portion of the qualifying collection costs in the interim. A briefing will be provided in mid-July to your staff on this interim plan. Additionally, my staff will continue seeking a final solution to maximize cost recovery revenue for the County.

#### **ACTION 4 - USING COUNTY EMPLOYEES**

On the same June 22, 2001 status report to your Board, we stated that our office had discussed the feasibility of utilizing County employees for Court-related collections with Supervisor Burke's office and both agreed that the feasibility study, which should include a cost benefit analysis, would be more beneficial after the release of the Request for Proposal (RFP), as the completed RFP would describe in detail all the services that a collection program would be required to provide. Subsequently, my staff, in their analysis of an in-house collection program, have considered utilizing employees of the Treasurer and Tax Collector (TTC), as well as converting the Lynwood Regional Collection Center (Lynwood) court staff to County employees.

In October 2001, my staff met with Mr. Mark Saladino, Treasurer and Tax Collector to discuss the possibility of his department collecting on behalf of the Courts. Mr. Saladino stated that TTC was willing to take on court collections if instructed by your Board. However, he also pointed out that:

- Historically, it has been proven that contracting out on collection services is more cost-effective; and
- TTC has phased out most of its collection programs and would have to reestablish their collection services for the Courts. Additionally, the start-up costs to begin such a process may be very costly.

On January 9, 2002, the Court submitted to our office a memo (Attachment 2) stating the Court's position on out-sourcing the collection function to a qualified vendor and that no Court employee would be submitting a bid in response to the Court Collection Services RFP. Consequently, the Lynwood program, which had been a viable collection option at

the time of the Board motion, can no longer be considered as a collection service provider since it is entirely staffed by Court employees. Additionally, my staff analyzed the possibility of converting the Lynwood staff to County employees, but discovered this option to be not viable. The Court would still be required to provide on-site supervision to properly manage this program, and, as stated in their memo, they do not intend to continue performing in-house collection activity after the current RFP process is completed.

Based upon these facts, our office concludes that utilizing County employees to collect on behalf of the Court is not a feasible option.

#### **ACTION 5 - NEW RFP PROCESS**

In April 2001, our office and the Court formed a Working Group to begin development of the RFP, including areas of evaluation for automation and commission rates to ensure the best collection rate for the County. In August 2001, our office contracted with the Internal Services Department (ISD) to provide guidance and assistance in the RFP process. The RFP was released on January 7, 2002, and the proposer's conference was conducted on January 23, 2002. Six proposals were received in response to the RFP, but only four of these were determined to be in compliance with the pre-selection criteria. An Evaluation Committee, led by the Contracts staff of ISD and comprised of members from the Court, the Treasurer and Tax Collector, the Chief Administrative Office, and the Child Support Services Department, evaluated the remaining four proposals.

GC Services' proposal earned the highest score and offered the lowest commission rate for providing the required collection services. Our office filed a joint Board Letter with the Court on April 8, 2002, recommending the contract be awarded to GC Services and requesting delegated authority to sign the agreement with GC Services on behalf of the County. The Board letter is scheduled for Board consideration at the June 11, 2002 meeting.

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Please let me know if you have any questions, or your staff may contact Wendy Watanabe of my staff at (213) 974-1136.

DEJ:DL  
WW:CYL:ljp  
Attachments

c: Executive Officer, Board of Supervisors  
Auditor-Controller  
County Counsel  
Superior Court  
Treasurer and Tax Collector

collection services.bm